

VZCZCXRO5092
RR RUEHCHI RUEHFK RUEHHM RUEHKSO RUEHNAG RUEHPB
DE RUEHHI #0730 2171032
ZNR UUUUU ZZH
R 051032Z AUG 09
FM AMEMBASSY HANOI
TO RUEHC/SECSTATE WASHDC 9990
INFO RUEHHM/AMCONSUL HO CHI MINH 6050
RUEHZU/ASIAN PACIFIC ECONOMIC COOPERATION
RUEATRS/DEPT OF TREASURY WASHINGTON DC
RUCPDO/DEPT OF COMMERCE WASHINGTON DC
RUEAIIA/CIA WASHINGTON DC

UNCLAS HANOI 000730

SIPDIS

STATE FOR EAP/MLS JWEBSTER
SINGAPORE FOR TREASURY
TREASURY FOR SCHUN
USTR FOR DBISBEE
USAID FOR DAA/ASIA MELLIS AND EAA DSHARMA

E.O. 12958: N/A

TAGS: [ECON](#) [VM](#)

SUBJECT: ECONOMIC HIGHLIGHTS: VIETNAM EXPORTS DOWN, TRADE DEFICIT
NARROWING, FOREIGN INVESTMENT LAWS ADJUSTED

VIETNAM LOWERS EXPORT TARGET

¶1. (U) The GVN has lowered its export target by nearly 5 percent to \$61 billion for 2009 as it continues to feel the effects of the global downturn. For the first seven months of this year, Vietnam's exports declined by 13.4 percent.

DESPITE EXPORT DECLINE TRADE DEFICIT NARROWS

¶2. (U) Although Vietnam is struggling to meet its export target, its trade deficit is continuing to narrow. Over the last seven months Vietnam's exports decreased at a rate of 13.4 percent yoy, but its imports have decreased even faster at a rate of 32 percent yoy. Imports of machinery and equipment purchases were down 19.3 percent in value, petroleum-product imports by 57 percent and steel purchases by 58.2 percent. Vietnam's exports were led by garment and textile shipments, which increased by 1 percent in value, crude oil shipments which fell by 45 percent, even though volumes rose by nearly 18 percent, and footwear exports which dropped 9.7 percent. Seafood exports were also down by 8.9 percent. Rice exports increased by 4.4 percent in value and 46.3 percent in volume.

VIETNAM PLANS FOR AIRPORT UPGRADE

¶3. (U) The GVN has announced that it will spend up to \$600 million upgrading Vietnam's Cam Ranh domestic airport into an international airport for both civil and military purposes. Located in Central Vietnam, it currently handles an average of one million passengers every year, which will be expanded to handle up to 5.5 million passengers and 100,000 tons of cargo annually. By 2030, the GVN expects 8 million passengers and 200,000 tons of cargo.

STEERING COMMITTEE ANNOUNCED FOR ANTI-MONEY LAUNDERING CAMPAIGN

¶4. (U) The GVN recently created an Anti-Money Laundering Steering Committee with high level officials from the State Bank of Vietnam (SBV), the Supreme People's Court, the Government Office, and the Ministries of Justice, Foreign Affairs, Defense, and Public Security, along with several other GVN agencies. The Steering Committee will assist the Prime Minister in policy-making and development of programs to fight money laundering. The Steering Committee will also coordinate with GVN agencies engaged in anti-terrorism to combat terrorist financing in Vietnam.

TRADE ORGANIZATION URGES GVN FILING TRADE CASE AGAINST US

¶5. (U) Press reports stated that Vietnam's Association of Seafood Exporters and Producers (VASEP) is encouraging the GVN to file a trade case against the U.S. in the World Trade Organization (WTO) on U.S. shrimp anti-dumping duties. VASEP has criticized the U.S. Department of Commerce for placing anti-dumping duties on Vietnamese shrimp as a result of several investigations conducted by the DOC which used a zeroing price calculation method. VASEP claims that the DOC's methods are not in line with the WTO's anti-dumping agreement, and that the GVN could win the case if it were taken to the WTO. Vietnam has been subject to the anti-dumping tax since ¶2005.

GVN ANNOUNCES POSITIVE CHANGE TO FOREIGN INVESTMENT LAWS

¶6. (U) The GVN recently issued Decree 88, which allows foreign-invested entities with 49 percent or less foreign ownership to conduct merger and acquisition activities in the same manner as 100 percent locally-owned companies. Foreign investors with 49 percent or less ownership may contribute capital or purchase shares at an "unrestricted" level, meaning that these companies may now buy 100 percent of the shares or interests in a Vietnamese entity. This is good news for foreign investors which previously faced a 49 percent ownership cap on public companies and a 30 percent limit on aggregate foreign investment in Vietnamese-established joint stock banks.

MICHALAK